

UNITED STATES POSTAL SERVICE

Fiscal Year 2017 Budget Congressional Submission

Finance (HQ)

**U.S. POSTAL SERVICE
FY 2017 BUDGET**

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U.S. POSTAL SERVICE APPROPRIATIONS

The following schedules reflect the Postal Service's budget request for Fiscal Year 2017.

Revenue Forgone

The Postal Service requests funding in Fiscal Year 2017 for revenue forgone on free mail for the blind and overseas voting, plus reconciliation amounts for past years, consistent with 39 U.S.C. §2401(c).

Revenue Forgone Reform Reimbursement

The Postal Service requests funding authorized under 39 U.S.C. §2401 (d) as reimbursement for losses incurred as a result of insufficient appropriations in Fiscal Years for revenues not received as a result of the rate phasing provisions of 39 U.S.C. §3626 (a) (3) (B), as last in 1991 through 1993, and to compensate effect before enactment of the Postal Accountability and Enhancement Act.

Public Service Costs

For public service costs, 39 U.S.C. §2401(b)(1)(G) authorizes, for years after Fiscal Year 1984, an amount equal to 5 percent of the Post Office Department's Fiscal Year 1971 appropriation. This amounts to \$460.0 million, however section 2401(b)(2) authorizes the Postal Service to reduce such percentage, including a reduction to zero.

The Postal Service has operated without this appropriation since Fiscal Year 1982, therefore, no appropriation for public service costs is requested during Fiscal Year 2017.

The following schedule provides a summary of the appropriations requested and recommended level of funding.

U.S. POSTAL SERVICE Appropriations Summary

(in thousands of dollars)

	Public Service Costs	Revenue Forgone	Total	
FY 2015:				
USPS Request	162,566	162,566	
OMB Proposal.....	...	70,371	70,371	
P.L. 113-235, Consolidated and Further Continuing Appropriations Act, 2015		70,000	70,000	
Received January 28, 2015.....		29,000	29,000	a/
Received October 28, 2015 (FY2016).....		41,000	41,000	b/
FY 2016:				
USPS Request	188,299	188,299	
OMB Proposal.....	...	67,234	67,234	
P.L. 114-113, Consolidated Appropriations Act, 2016		55,075	55,075	
Received January 23, 2016.....		55,075	55,075	c/
Advance funding discontinued.....		0	0	
FY 2017:				
USPS Request	199,671	199,671	
OMB Proposal.....	...	63,658	63,658	d/

a/ An amount of \$29.0 million, from 1993 Revenue Forgone Reform Act, was received on January 28, 2015 per P.L. 113-235, Consolidated and Further Continuing Appropriations Act, 2015

b/ An amount of \$41.0 million was received on October 28, 2015 per P.L. 113-235, Consolidated and Further Continuing Appropriations Act, 2015

c/ A total amount of \$55.075 million was received on January 23, 2016 (FY2016) per P.L. 114-113, Consolidated Appropriations Act, 2016

d/ Subject to Congressional approval, to be received October 2016 (FY2017)

U.S. POSTAL SERVICE

Appropriations Summary

(In thousands of dollars)

	FY 2015			FY 2016			FY 2017	
	Request	OMB Proposal	P.L. 113-235	Request	OMB Proposal	P.L. 114-113	Request	OMB Proposal
A. Total Budget Authority (Appropriations).....	162,566	70,371	70,000	188,299	67,234	55,075	199,671	63,658
B. Program by Activity:								
1. Public Service Costs .....	...	...	...	...	...	...	...	...
2. Free for the Blind and Overseas Voting	49,519	61,548	61,177	49,923	62,082	49,923	52,060	49,271
3. Free and Reduced-rate Mail: Reconciliation Adjustment	-20,177	-20,177	-20,177	-23,848	-23,848	-23,848	-14,613	-14,613
4. Revenue Forgone Reform Reimbursement	133,224	29,000	29,000	162,224	29,000	29,000	162,224	29,000
5. Emergency Preparedness Costs .....	...	...	...	...	...	...	...	...
Total Appropriations	162,566	70,371	a/, b/ 70,000	188,299	67,234	c/ 55,075	199,671	d/ 63,658

a/ An amount of \$29.0 million, from 1993 Revenue Forgone Reform Act, was received on January 28, 2015 per P.L. 113-235, Consolidated and Further Continuing Appropriations Act, 2015

b/ An amount of \$41.0 million was received on October 28, 2015 per P.L. 113-235, Consolidated and Further Continuing Appropriations Act, 2015

c/ A total amount of \$55.075 million was received on January 23, 2016 (FY2016) per P.L. 114-113, Consolidated Appropriations Act, 2016

d/ Subject to Congressional approval, to be received October 2016 (FY2017)

U.S. POSTAL SERVICE Federal Funds

General and special funds:

Payment to the Postal Service Fund

For payment to the Postal Service Fund for: (1) current revenue forgone on free and reduced-rate mail for the blind and for overseas voting, plus reconciliation amounts for past years pursuant to subsection 39 U.S.C. §2401(c) , \$37.447 million; and (2) reimbursement of losses incurred as a result of insufficient appropriations for revenue forgone on free and reduced-rate pursuant to 39 U.S.C. §2401(d), \$162.224 million.

Program and Financing (in thousands of dollars)				
	FY 2015	FY 2016	FY 2017	
	P.L. 113-235	P.L. 114-113	Request	OMB Proposal
Program by activities:				
Payment to the Postal Service fund for:				
Revenue forgone on free and reduced-rate mail:				
Current year.....	61,177	49,923	52,060	49,271
Reconciliation adjustment	-20,177	-23,848	-14,613	-14,613
Subtotal.....	41,000 b/	26,075 c/	37,447	34,658
Revenue forgone reform reimbursement	29,000 a/	29,000 c/	162,224	29,000
Total free and reduced-rate mail	70,000	55,075	199,671	63,658
Emergency Preparedness Costs .....	...	...	...	...
Total payment to the Postal Service Fund (total obligations).....	70,000	55,075	199,671	63,658
Financing:	a/, b/	c/		d/
Budget authority (appropriations)	70,000	55,075	199,671	63,658

a/ An amount of \$29.0 million, from 1993 Revenue Forgone Reform Act, was received on January 28, 2015 per P.L. 113-235, Consolidated and Further Continuing Appropriations Act, 2015

b/ An amount of \$41.0 million was received on October 28, 2015 per P.L. 113-235, Consolidated and Further Continuing Appropriations Act, 2015

c/ A total amount of \$55.075 million was received on January 23, 2016 (FY2016) per P.L. 114-113, Consolidated Appropriations Act, 2016

d/ Subject to Congressional approval, to be received October 2016

**U.S. POSTAL SERVICE
Federal Funds**

Payment to the Postal Service Fund

Program and Financing				
(in thousands of dollars)				
	FY 2015	FY 2016	FY 2017	
	P.L. 113-235	P.L. 114-113	Estimate	
			Request	OMB Proposal
Relation of obligations to outlays:				
Obligations incurred, net	a/, b/ 70,000	c/ 55,075	199,671	63,658
Outlays	a/, b/ 70,000	c/ 55,075	199,671	d/ 63,658

a/ An amount of \$29.0 million, from 1993 Revenue Forgone Reform Act, was received on January 28, 2015 per P.L. 113-235, Consolidated and Further Continuing Appropriations Act, 2015

b/ An amount of \$41.0 million was received on October 28, 2015 per P.L. 113-235, Consolidated and Further Continuing Appropriations Act, 2015

c/ A total amount of \$55.075 million was received on January 23, 2016 (FY2016) per P.L. 114-113, Consolidated Appropriations Act, 2016

d/ Subject to Congressional approval, to be received October 2016 (FY2017)

The appropriation request of \$199.671 million includes \$52.060 million for reimbursing the Postal Service for providing free mail for the blind and for overseas voting; \$-14.613 million as a reconciliation adjustment for revenue forgone on free and reduced-rate mail; and \$162.224 million for partial reimbursement for losses incurred during FY1991 - FY1998 as a result of insufficient appropriations for revenue forgone.

The following table represents the estimated revenue forgone by the Postal Service in Fiscal Year 2017 for carrying certain categories of mail for free.

U. S. POSTAL SERVICE APPROPRIATIONS

Justifications

a. FY 2017 Appropriation request for Free for the Blind and Overseas Voting mail, \$52.060 million

Program and Financing (in thousands of dollars)					
Item	FY 2015	FY 2016		FY 2017	
	Appropriated Amount	Appropriated Amount	Change from Prior Year	Request Current Year	Change from Prior Year
A. Free for the Blind	60,255	49,159	-11,096	51,284	2,125
B. Overseas Voting	922	764	-158	776	12
Total, Free for the Blind and Overseas Voting	61,177	49,923	-11,254	52,060	2,137

An appropriation of \$52.060 million is requested for free mail for the blind and overseas voting which provides funding for:

Certain matter for use by the blind or other persons who cannot use or read conventionally printed materials because of physical impairment can be mailed free of postage. In order to qualify, there must be no charge, rental, subscription, or other fee required for such matter.

Items mailable free by a qualifying person include unsealed letters, sound reproductions, Braille writers or typewriters, and educational or other materials or devices specifically designed or adapted for use of a visually handicapped person. Absentee balloting materials can be mailed free by members of the Armed Forces and other U.S. citizens residing outside the territorial limits of the United States, and in bulk between state and local election officials. Effective November 2010 (P.L. 111-84) a certain category of absentee balloting materials are eligible to be processed via the United Postal Service at the expedited mail delivery rate.

**U. S. POSTAL SERVICE
APPROPRIATIONS**

Justifications (continued)

b. FY 2017 Reconciliation Adjustment Request, Revenue Forgone, -\$14.613 million:

Program and Financing (in thousands of dollars)					
ITEM	FY 2015	FY 2016		FY 2017	
	Appropriated Amount	Appropriated Amount	Change from Prior Year	Request Amount	Change from Prior Year
Reconciliation adjustment	-20,177	-23,848	-3,671	-14,613	9,235

Under 39 U.S.C. §2401(c) the Postal Service continues to be instructed to include in its annual revenue forgone funding requests "an amount to reconcile sums authorized to be appropriated for prior fiscal years on the basis of estimated mail volume with sums which would have been authorized if based on the final audited mail volume." This instruction to seek reconciliation adjustments was not changed by section 703(a) of the Revenue Forgone Reform Act (RFRA) of 1993, which eliminated the appropriation for the revenue forgone on the various types of reduced-rate mail provided under section 3626 of title 39 (while keeping the funding mechanism for free mail for the blind and overseas voting intact).

U. S. POSTAL SERVICE APPROPRIATIONS

Justifications (continued)

The Postal Service, in accordance with the objectives established in the Postal Reorganization Act by the Congress, is therefore submitting a reconciliation adjustment of -\$14.613 million to adjust the reimbursement for services performed on Free Mail for the Blind and Overseas Voting mail during Fiscal Year 2014. Amounts appropriated to the Postal Service for Fiscal Year 2014 were based on estimates that appropriations amounting to \$70.751 million would be required for FY 2014. However, audited mail volumes indicate that \$56.138 million was actually required to fully reimburse the Postal Service for services provided during FY 2014. Therefore, a balance of -\$14.613 million relating to FY 2014 is available to offset the Fiscal Year 2017 appropriation request.

Program and Financing (in thousands of dollars)				
	Free for the Blind	Overseas Voting	Totals	Reconciliation Adjustment
<u>FY 2012:</u>				
Based Upon Final Audited Mail Volume	53,500	388	53,888	
Appropriation Received in FY 2011	72,649	1,416	74,065	
Reconciliation Adjustment - Requested in FY 2015	-19,149	-1,028	-20,177	
Reconciliation Adjustment - Funded in FY 2015 Appropriation				-20,177
<u>FY 2013:</u>				
Based Upon Final Audited Mail Volume	53,041	1,264	54,305	
Appropriation Received in FY 2012	76,334	1,819	78,153	
Reconciliation Adjustment - Requested in FY 2016	-23,293	-555	-23,848	
Reconciliation Adjustment - Funded in FY 2016 Appropriation				-23,848
<u>FY 2014:</u>				
Based Upon Final Audited Mail Volume	55,822	316	56,138	
Appropriation Received in FY 2013	70,352	399	70,751	
	-14,530	-83	-14,613	
Reconciliation Adjustment - FY 2017 Request				-14,613

**U. S. POSTAL SERVICE
APPROPRIATIONS**

Justifications (continued)

c. FY 2017 Appropriation Request for Revenue Forgone Reform Reimbursement, \$162.224 million:

Program and Financing (in thousands of dollars)							
ITEM	FY 2015		FY 2016			FY 2017	
	Request Amount	Approved Amount	Request Amount	Change in Request From Prior Year Request	Approved Amount	Request Amount	Change in Request From Prior Year Request
Revenue Forgone Reform Reimbursement							
Reclaim Installment reduction in FY 2011	17,200	... a/	17,200	...	... d/	17,200	...
Reclaim -0.2% rescission on \$11.8M in FY 2011	24	... a/	24	...	... d/	24	...
Reclaim Installment reduction in FY 2012	29,000	... a/	29,000	...	... d/	29,000	...
Reclaim Installment reduction in FY 2013	29,000	... a/	29,000	...	... d/	29,000	...
Reclaim Installment reduction in FY 2014	29,000	... a/	29,000	...	... d/	29,000	...
Reclaim Installment received in FY 2015	29,000	29,000 b/	<u>29,000</u> c/	...	... e/	...	-29,000
Reclaim Installment reduction in FY 2016			29,000	29,000	<u>29,000</u> f/	29,000 g/	...
Current Year Installment						29,000	29,000
Total	133,224	29,000	162,224	29,000	29,000	162,224	0

a/ None of the previous years' (2011 - 2014) installments were provided for in P.L. 113-235, Consolidated and Further Continuing Appropriations Act, 2015

b/ An amount of \$29.0 million, the installment for FY 2015 was provided for in P.L. 113-235, Consolidated and Further Continuing Appropriations Act, 2015

c/ The FY 2016 request was submitted before USPS was notified of the \$29.0 million payment for the FY 2015 installment

d/ None of the previous years' (2011 - 2014) installments were provided for in P.L. 114-113, Consolidated Appropriations Act, 2016

e/ Since the \$29.0 million installment for FY 2015 was provided for in P.L. 113-235, it did not need to be considered in the FY 2016 approved amount

f/ An amount of \$29.0 million, the installment for FY 2016 was provided for in P.L. 114-113, Consolidated Appropriations Act, 2016

g/ The FY 2017 request was submitted before USPS was notified of the \$29.0 million payment proposed by OMB as part of the FY 2016 appropriation

The Revenue Forgone Reform Act of 1993 authorizes \$29.0 million to be appropriated to the Postal Service for each of Fiscal Years 1994 through 2035 to provide reimbursement to the Postal Service for losses incurred as a result of insufficient amounts appropriated under section §2401(c) for Fiscal Years 1991 through 1993, and to compensate for the additional revenues it is estimated the Postal Service would have received under the provisions of section §3626(a) for the period beginning October 1, 1993, and ending on September 30, 1998, If the fraction specified in sub-clause (VI) of section §3626(a)(3)(B)(ii) were applied with respect to such period instead of the respective fractions specified in sub-clauses (I) through (V) thereof, as last in effect before enactment of the Postal Accountability and Enhancement Act. The FY 2017 request includes \$162.2 million and \$24.0 thousand respectively as reimbursement for revenue forgone reduction since FY 2011 and for a rescission enacted in FY2011 (P.L. 112-10).

U. S. POSTAL SERVICE
ADVANCE APPROPRIATIONS – REVENUE FORGONE

The purpose of this schedule is to assist in tracking authorized amounts to the year of payment and reflect the advance funding of Revenue Forgone appropriations, and recissions, if any.

(in thousands of dollars)

Authorized for	Amount	Received During			
		FY 2014	FY 2015	FY 2016	FY 2017
FY 2013: Advance Funding from FY 2013		78,153			
FY 2014: Free Mail for the Blind and Overseas Voters Reconciliation Adjustment (re: FY 2011)	71,800 -1,049		71,800 a/ -1,049 a/		
Total Appropriated, P.L. 113-76, Consolidated Appropriations Act, 2014 Available October 1, 2014 (FY 2015)	70,751 a/				
Amount Received in FY 2014 (from FY 2013 appropriation)		78,153			
FY 2015: Free Mail for the Blind and Overseas Voters Reconciliation Adjustment (re: FY 2012) Revenue Forgone Reform Reimbursement	61,177 c/ -20,177 c/ 29,000 b/		29,000 b/	61,177 c/ -20,177 c/	
Total Appropriated, P.L. 113-235 Consolidated and Further Continuing Appropriations Act, 2015 Received October 28, 2015 (FY 2016)	70,000 b/, c/				
Total Amount Received in FY 2015 (from FY 2014 appropriation funding and FY 2015 payment for Revenue Forgone Reform Act, 1993)			99,751 a/, b/		
FY 2016: Free Mail for the Blind and Overseas Voters Reconciliation Adjustment (re: FY 2013) Revenue Forgone Reform Reimbursement	49,923 d/ -23,848 d/ 29,000 e/			49,923 d/ -23,848 d/ 29,000 e/	
Total Appropriated, P.L. 114-113 Consolidated Appropriations Act, 2016 Received January 23, 2016 (FY 2016)	55,075 d/, e/				
Total Amount Received in FY 2016 (from FY 2015 and FY 2016 Appropriations and FY 2016 payment for Revenue Forgone Reform Act, 1993)				96,075 c/, d/, e/	
FY 2017: Free Mail for the Blind and Overseas Voters - OMB PROPOSED AMOUNT Reconciliation Adjustment (re: FY 2014) Revenue Forgone Reform Reimbursement - OMB PROPOSED AMOUNT	49,271 f/ -14,613 f/ 29,000 g/				
Total Proposed by OMB, all to be received in FY 2017	63,658 f/, g/				

a/ Advance funding per P.L. 113-76, Consolidated Appropriations Act, 2014, received October 28, 2015

b/ Revenue Forgone Reform Act installment for FY 2015 provided per P.L. 113-235, Consolidated and Further Continuing Appropriations Act, 2015 and received on January 28, 2015

c/ Advance funding per P.L. 113-235, Consolidated and Further Continuing Appropriations Act, 2015 and received on October 28, 2015

d/ Amount for Free Mail for the Blind and Overseas Voting per P.L. 114-113, Consolidated Appropriations Act, 2016 and received on January, 23, 2016

e/ Revenue Forgone Reform Act installment for FY 2016 provided per P.L. 114-113, Consolidated Appropriations Act, 2016 and received on January 23, 2016

f/ OMB Proposed appropriation, for Free Mail, Overseas Voting, and the FY 2017 installment of the Revenue Forgone Reimbursement, expected to be received in October, 2016 (FY 2017).

g/ OMB Proposed appropriation for Revenue Forgone Reform Act installment for FY 2017

UNITED STATES POSTAL SERVICE

Fiscal Year 2017 Budget Congressional Submission

PART II

Financial Statements

Finance (HQ)

U.S. POSTAL SERVICE

The Postal Reorganization Act of 1970 (PRA), Public Law 91-375, converted the Post Office Department into the U.S. Postal Service, an independent establishment within the executive branch. The Postal Service commenced operations July 1, 1971. This agency is charged with providing reliable mail service at reasonable rates and fees.

The U.S. Postal Service Board of Governors ("Board") generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The Governors are appointed by the President of the United States with the advice and consent of the United States Senate. The Postmaster General is appointed by the Governors, and the Deputy Postmaster General is appointed by the Governors and the Postmaster General.

The Board is required by law to have a quorum of six members in order to take certain actions. In December 2014, due to the term expiration of one Governor and U.S. Senate inaction on pending nominees, the number of sitting Board members dropped to five, thereby rendering the Board unable to assemble a quorum.

In November 2014, while the Board still had a quorum, it issued a resolution that established a Temporary Emergency Committee of the Board (TEC) to exercise certain powers reserved to the Board during a period in which it is unable to assemble a quorum. The TEC consists of the remaining members of the Board and exercises those Board powers necessary for operational continuity. The TEC will continue in existence until the Board is again able to assemble a quorum. The establishment of the TEC was publicly announced in a Federal Register notice on December 16, 2014.

The Federal Register notice also announced a resolution issued by the Governors in November 2014 regarding the exercise of those powers conferred by law solely on the Governors, as distinguished from the full Board. Powers conferred solely upon the Governors include the appointment and removal of the Postmaster General and the establishment of prices and classifications for our services. The Governors determined that they could continue exercising the Governors' independent powers with less than a quorum.

In 2015, the President of the United States made five Governor nominations, and each of these awaited U.S. Senate action. The U.S. Senate did not confirm any of the Governor nominees prior to December 8, 2015, the date on which two of our three active Governors' terms expired. Currently the Board is operating with only three members, one independent member, plus the Postmaster General and the Deputy Postmaster General. Five new Governors have been submitted for consideration, and are awaiting confirmation.

U.S. POSTAL SERVICE

The law divides our services into two broad categories: Market-Dominant and Competitive “products”; however, the term “services” is often used in this document for consistency with other descriptions of “services” offered by the Postal Service.

Postal Service prices for Market-Dominant services are set by the Governors and reviewed by the Postal Regulatory Commission (PRC) for legal compliance. Prices for Competitive services, by law, must cover costs attributable to each product, as well as an appropriate share of the institutional costs of the Postal Service.

Periodic reclassifications and expansions of services from Market-Dominant to Competitive, which require approval from the PRC, are necessary to rationalize service offerings. The additional flexibility provided in Competitive service allows us to better offer services that meet customer needs, to increase business for the Postal Service, and to allow us to price our products and services competitively within the markets in which we operate. The Postal Service’s Competitive services generally include most of our shipping, package, and expedited delivery services.

Programs - Included are all postal activities providing window services; processing, delivery, and transportation of mail; research and development; administration of postal field activities; and associated expenses of providing facilities and equipment.

Financing - The activities of the U.S. Postal Service are financed from the following sources: (1) mail and services revenue; (2) reimbursements from Federal and non-Federal sources; (3) proceeds from borrowing; (4) interest from U.S. securities and other investments; and (5) appropriations by the Congress. All receipts and deposits are made to the Postal Service Fund and are available without fiscal year limitation for payment of all expenses incurred, retirement of obligations, investment in capital assets, and investment in obligations and securities.

U.S. POSTAL SERVICE

Section 2005 of Title 39, United States Code, authorizes the Postal Service to borrow money and to issue obligations for this purpose. Through the end of Fiscal Year 1990, the aggregate amount of such obligations outstanding at any one time was limited to \$10.0 billion. This maximum amount was increased to \$12.5 billion in Fiscal Year 1991 and to \$15.0 billion for Fiscal Year 1992 and each fiscal year thereafter. Also beginning in Fiscal Year 1991, the net increase in amounts outstanding in any year may not exceed \$2.0 billion in obligations issued for the purpose of capital improvements and \$1.0 billion for the purpose of defraying operating expenses.

P.L. 109-435 removed the separate limitations on borrowing for capital improvements and operating expenses so that under the \$15.0 billion debt cap, the annual increase in outstanding debt cannot now exceed a combined total of \$3.0 billion. As of September 30, 2013, the total debt instruments issued and outstanding pursuant to this authority amount to \$15.0 billion.

The PRA created an independent Postal Service with a mandate to operate in a business-like manner and to report its finances using business-like accounting and budgeting. As a result, the Postal Service adopted an accrual accounting system, which follows generally accepted accounting principles, in which capital expenditures are charged to expense through depreciation over an asset's useful life. This provides an allocation of costs to the years in which an asset's benefits are received. A cash accounting approach, as used by the Federal Government, ignores the fact that valuable assets are acquired by the Postal Service and funded through postage rates set to recover the cost of those assets over their useful lives rather than in one year. Consistent with the purpose of the Act, the Office of Management and Budget (OMB) removed all Postal Service financial transactions except those involving appropriations, such as the revenue forgone payments for free and reduced-rate mail, from the Federal Government's budget and deficit calculations in Fiscal Year 1974. This action placed the Postal Service off-budget.

However, with the Fiscal Year 1986 Federal Budget, OMB placed the Postal Service back on-budget. As a result, the way capital expenditures are treated under the government's cash-basis system improperly made it appear that the "break-even" mandate of the Postal Service consistently adds to the Federal deficit in the near-term.

Enactment of the Budget Reconciliation Act of 1989 once again placed the Postal Service Fund off-budget. Effective with Fiscal Year 1990, receipts and disbursements of the Postal Service Fund were not considered as part of the congressional and executive budget process relating to calculations under the Balanced Budget and Emergency Deficit Control Act of 1985.

U.S. POSTAL SERVICE

Omnibus Budget Reconciliation Act of 1987 (OBRA of 1987)

The OBRA of 1987 required the Postal Service to make payments of \$350.0 million to the Civil Service Retirement and Disability Fund and \$160.0 million to the Employees Health Benefits Fund in Fiscal Year 1988. Also required was a \$270.0 million payment in 1989 to the Employees Health Benefits Fund. Funds for the 1988 and 1989 health benefit payments were derived from operating budget savings. An escrow account was also established with the U.S. Treasury into which the Postal Service deposited \$465.0 million on October 31, 1988. The escrow was terminated and the funds returned on October 1, 1989. Excluding the temporarily escrowed funds, this legislation required Postal Service payments totaling \$780.0 million during 1988 and 1989.

The Act also limited Postal Service capital investment commitments to \$625.0 million in Fiscal Year 1988. Compared to the original Fiscal Year 1988 capital investment plan, these restrictions reduced Fiscal Year 1988 capital commitments by \$1.736 billion for a 74 percent reduction. The Act also limited Fiscal Year 1989 capital commitments to \$1.995 billion, a reduction of \$635.0 million or 24 percent from the original plan.

Omnibus Budget Reconciliation Act of 1989 (OBRA of 1989)

The OBRA of 1989 included several provisions affecting the Postal Service's budget for 1990 and the budgets of future years.

The OBRA of 1989 placed the Postal Service Fund off budget effective in Fiscal Year 1990. It excludes postal receipts and disbursements from the totals in the President's Budget, the Congressional Budget Resolution and Gramm-Rudman-Hollings Act sequestration. Appropriations to USPS remain on-budget.

Payments to the Department of Labor for USPS workers' compensation are accelerated. The OBRA of 1989 made USPS liable for Civil Service Retirement System (CSRS) cost-of-living adjustment (COLA) payments to USPS annuitants (or their survivors) who retire from USPS after 9/30/86. It also made USPS liable for the employer's share of health benefits costs of survivors of former USPS employees who died after 9/30/86.

U.S. POSTAL SERVICE

Debt Ceiling Legislation

Legislation enacted December 12, 1989, also increased Postal Service borrowing authority. The following changes have been made to Postal Service statutory borrowing authority:

- Maximum total outstanding borrowing was increased from \$10.0 billion to \$12.5 billion in Fiscal Year 1991 and to \$15.0 billion for Fiscal Year 1992 and each fiscal year thereafter.
- Maximum annual net increase in obligations outstanding for capital improvements increased to \$2.0 billion.
- Maximum annual net increase in obligations outstanding for operating expenses increased to \$1.0 billion.

Omnibus Budget Reconciliation Act of 1990 (OBRA of 1990)

The OBRA of 1990 affected the Postal Service as follows:

- Existing laws which required the Postal Service to fund CSRS COLAs and Federal Employee Health Benefit Program (FEHBP) premiums only for postal annuitants who retired after September 30, 1986, and their survivors, were rescinded.
- Effective October 1, 1990, the Postal Service is required to fund the CSRS COLAs for postal annuitants who retired after June 30, 1971, and their survivors. Each year's liability will be prorated and the Postal Service's portion will reflect only Federal civilian employment service occurring after June 30, 1971. This liability will be amortized over 15 years at 5 percent interest.
- Effective October 1, 1990, the Postal Service is required to fund the employer's share of FEHBP insurance premiums for postal annuitants who retired after June 30, 1971, and their survivors. These costs are apportioned and the Postal Service's share reflects only Federal civilian employment service occurring after June 30, 1971.

U.S. POSTAL SERVICE

OBRA of 1990 – continued

- The Postal Service is liable for the retroactive CSRS COLA and FEHBP premium payments that would have been required between July 1, 1971, and September 30, 1986, if the provisions described previously had been in effect since July 1, 1971. This retroactive liability was reduced by \$780.0 million representing the extraordinary Postal Service payments required by the Omnibus Budget Reconciliation Act of 1987 and the remaining balance was liquidated during FYs 1991-1995.
- Included several reforms to the FEHBP to help control FEHBP premium increases beginning in FY 1991.

Omnibus Budget Reconciliation Act of 1993 (OBRA of 1993)

The OBRA of 1993 obligated the Postal Service to pay interest on the retroactive assessments due under the OBRA of 1990. The OBRA of 1993 assessment represents interest at 5 percent on the employer's portion of annuitant COLAs and health benefits, previously paid by the U. S. Government, that the Postal Service would have paid had the provisions of the OBRA of 1990 been in effect from July 1, 1971 through September 30, 1986. This interest assessment, totaling \$1.041 billion, was paid in three equal annual installments beginning September 30, 1996.

Balanced Budget Act of 1997

Under the Postal Reorganization Act of 1971, the U.S. Government remained responsible for payment of all Post Office Department workers' compensation claims incurred before July 1, 1971 and the newly created Postal Service was responsible only for its own workers' compensation claims. However, the Balanced Budget Act of 1997 repealed the authorization for transitional appropriations to the Postal Service under which funding had been provided for the liabilities of the former Post Office Department to the Employees' Compensation Fund. Effective October 1, 1997, these remaining claims became liabilities of the Postal Service payable out of the Postal Service Fund. At September 30, 1997, the discounted present value of these liabilities was estimated at \$258.0 million.

U.S. POSTAL SERVICE

Revenue Forgone Reform Act of 1993

Congress did not fund Postal Service revenue forgone requests at amounts that were required to fully fund the services rendered during fiscal years 1991, 1992, and 1993. These unpaid appropriation shortfalls totaled \$516.0 million as of September 30, 1993. The Revenue Forgone Reform Act of 1993 (Act) was enacted to provide funding for these appropriation shortfalls as well as for the cost of phasing out certain aspects of the revenue forgone program (estimated at \$702.0 million) during fiscal years 1994 through 1998. The Act authorizes the total of \$1.218 billion payable to the Postal Service in 42 annual installments of \$29.0 million each, without interest, during 1994 through 2035, as reimbursement for these amounts due.

In FY 2011 the Postal Service received the annual payment of \$29.0 million. However, later that same year, Congress rescinded or reduced the amount by \$11.224 million. In Fiscal Years 2012, 2013, and 2014 the Postal Service did not receive the \$29.0 million annual payments. The Fiscal Year 2015 and 2016 payments were received in January 2015 and January 2016, respectively (see pages II-12 and II-13).

Response and Recovery for Terrorist and Biohazard Threats

In response to the September 11, 2001 terrorist attacks, and the anthrax attacks that followed shortly thereafter, P.L. 107-38, the Emergency Supplemental Appropriations Act for Recovery from and Response to Terrorist Attacks on the United States was enacted. On November 20, 2001 the President released \$175.0 million from the Emergency Response Fund to the U.S. Postal Service in response to the anthrax attacks. This included \$100.0 million for an initial purchase of irradiation equipment to sanitize the mail and \$75.0 million for the costs of personnel protection equipment, first-response/environmental testing kits and services, site clean-up and medical goods and services, and public education material. The specific restrictions of \$100.0 million for irradiation equipment and \$75.0 million for other costs were subsequently removed.

As part of the Department of Defense Appropriations Act, 2002 (P.L. 107-117), enacted January 10, 2002, Congress appropriated, from amounts authorized by P.L. 107-38, an additional \$500.0 million to the Postal Service to protect postal employees and postal customers from exposure to bio-hazardous material, sanitize and screen the mail, and replace or repair postal facilities destroyed or damaged in New York City as a result of the September 11, 2001 terrorist attacks. A supplemental appropriation, P.L. 107-206 provided an additional \$87.0 million to support completion of planned FY 2002 activities.

Congress appropriated an additional \$507.0 million as part of the Consolidated Appropriations Act, 2005 (P.L. 108-447) for the protection of postal employees and postal customers from exposure to hazardous materials in the mail.

By the end of Fiscal Year 2016, all of these appropriated funds will have been exhausted.

U.S. POSTAL SERVICE

Postal Civil Service Retirement System Funding Reform Act of 2003 (P.L. 108-18)

Public Law 108-18, signed into law by the President on April 23, 2003, made significant changes to the way the Postal Service funds its CSRS retirement obligation. Based upon an analysis by the Office of Personnel Management (OPM) and confirmed by a General Accounting Office (GAO) review, without this legislation, the Postal Service was on course to over-fund this CSRS pension obligation by approximately \$105.0 billion. This over-funding resulted from higher than assumed interest earnings, lower than assumed outlays and other factors.

The major components of Public Law 108-18 were:

- Previously, a retirement liability resulted from general pay increases granted to CSRS employees and was discharged over 30 years with interest at 5% and a retirement liability resulting from annual cost-of-living adjustments granted to CSRS retirees was discharged over 15 years with interest at 5%. These retirement liabilities and payments were eliminated.
- Effective in May 2003, the Postal Service paid 17.4% of current CSRS employees' wages to the retirement fund rather than the 7.0% previously paid.
- Effective September 30, 2004, the Postal Service began a series of 40 annual payments to discharge any remaining CSRS retirement liability as calculated and updated annually by OPM.
- Retirement obligations associated with the military service of CSRS postal employees previously paid by the U.S. Treasury, were retroactively transferred to the Postal Service. The Postal Service, U.S. Treasury, and OPM were required to submit proposals to Congress detailing who should be responsible for military service retirement costs. These proposals were submitted September 30, 2003.
- Cash savings resulting from this law were to be used to reduce debt with the U.S. Treasury in 2003 and 2004. In 2005, the savings were to be used to offset operational expenses and hold postal rates steady. After 2005, the savings were to be held in escrow until directed by Congress as to their use.

U.S. POSTAL SERVICE

Postal Accountability and Enhancement Act of 2006 (P.L. 109-435)

Public Law 109-435, signed into law by the President on December 20, 2006, made a number of changes affecting the operations and oversight of the Postal Service, many of which are consistent with the recommendations of the President's Commission.

The Act provided for separate accounting and reporting for Postal Service activities related to:

- Products where the Postal Service dominates the market.
- Products where the Postal Service is in a competitive market.

The Act amended the process for determining rate increases for market-dominant products, in part by imposing a limitation on rate increases for at least the next 10 years linked to the Consumer Price Index. This has provided the Postal Service with flexibility and ratepayers with a degree of rate predictability. The Act also replaced the Postal Rate Commission with a Postal Regulatory Commission with expanded authorities, including subpoena powers.

Debt Legislation

P.L. 109-435 changed the structure of our borrowing authority. The following changes have been made to Postal Service statutory borrowing authority:

- Maximum total outstanding borrowing continued to be \$15.0 billion for Fiscal Year 1992 and each fiscal year thereafter.
- Removed the separate limitations on borrowing for capital improvements and operating expenses so that under the \$15.0 billion debt cap, the annual increase in outstanding debt cannot now exceed a combined total of \$3.0 billion.

U.S. POSTAL SERVICE

Postal Accountability and Enhancement Act of 2006 (P.L. 109-435) (continued)

Public Law 109-435 created the Postal Service Retiree Health Benefits Fund (PSRHBF) to put the Postal Service on a path that fully funds its substantial retiree (annuitant) health benefits liabilities. The new Fund receives from the Postal Service:

- The pension savings provided to the Postal Service by the Postal Civil Service Retirement System Funding Reform Act of 2003 (P.L. 108-18) that were held in escrow during 2006.
- A 10-year stream of payments defined within P.L. 109-435 to begin the liquidation of the Postal Service's unfunded liability for post-retirement health benefits.
- Beginning in 2017, the OPM made annual actuarial evaluations of the assets of the Fund compared to the estimated liability for future health benefit payments from the Fund. Any net liability was to be liquidated by a series of future annual payments.
- The surplus resources of Civil Service Retirement and Disability Fund that were not needed to finance future retirement benefits under CSRS to current or former employees of the Postal Service that were attributable to civilian employment with the Postal Service, including the savings from shifting the responsibility for retirement credit related to military service from the Postal Service to the Treasury (effectively eliminating the need for the dynamic CSRS funding payments and supplemental liability payments).

As a result of this new health benefits financing system, the Postal Service ceased to pay annual premium cost for its post-1971 current annuitants directly to the Employees and Retired Employees Health Benefits Fund in 2017. Instead, these premium payments were paid from amounts that the Postal Service remits to this new fund. Payments for a proportion of the premium costs of Postal Service annuitants pre-1971 service continued to be paid by the General Fund of the Treasury through the Government Payment for Annuitants, Employees Health Benefits account.

U.S. POSTAL SERVICE

Continuing Appropriations Resolution, 2010 (P.L. 111-68)

Due to the downturn in the economy, the Postal Service faced an unprecedented decline in mail volume, and the resulting loss in revenue critically affected its ability to meet the requirement of the Postal Accountability and Enhancement Act (P.L. 109-435) to prefund its future retiree health benefits.

To protect the financial viability of America's postal system, Congress approved via the Continuing Appropriations Resolution, 2010 (P.L. 111-68) a reduction in the payment due September 30, 2009, to the Postal Service Retiree Health Benefit Fund from \$5.4 billion to \$1.4 billion. At the end of FY 2011, the trust fund holding the Postal Service payments had a balance of more than \$44.0 billion. In 2017, the OPM will determine the Postal Service's payments to amortize the remaining unfunded retiree health benefit liability over the next forty years.

Consolidated Appropriations Act, 2012 (P.L. 112-74)

Section 632 of Division C amended Title 5, United States Code by striking the date specified in section 8909a(d)(3)(A)(v) "September 30, 2011" and inserting "August 1, 2012" for the scheduled payment of \$5.5 billion to the Postal Service Retiree Health Benefit Fund.

U.S. POSTAL SERVICE

Consolidated and Further Continuing Appropriations Act, 2013 (P.L. 113-6)

Set the FY 2013 appropriation amounts per The Financial Services and General Appropriations Act, 2012 (division C of P.L.112-74).

Consolidated Appropriations Act, 2014 (P.L. 113-76)

Set the FY 2014 appropriation amounts per The Financial Services and General Government Appropriations Act, 2014 (division E of P.L.113-76).

Consolidated and Further Continuing Appropriations Act, 2015 (P.L. 113-235)

Set the FY 2015 appropriation amounts per The Financial Services and General Appropriations Act, 2015 (division E of P.L.113-235).

Note: P.L.113-235 was written to provide the FY 2015 Appropriation in the year following the request. The total appropriation amount was \$70.0 million. Of that amount, \$41.0 million was for Free Mail and Overseas Voting which was received on October 28, 2015 (FY 2016). In addition, P.L. 113-235 provided the FY 2015 installment of \$29.0 million per the Revenue Forgone Reform Act, 1993. This was received in January 2015.

U.S. POSTAL SERVICE

Consolidated Appropriations Act, 2016 (P.L. 114-113)

Set the FY 2016 Appropriation Amounts per The Financial Services and General Appropriations Act, 2016 (division E of P.L.114-113).

Note: P.L.114-113 was written to provide the FY 2016 Appropriation in the year of the request. The total appropriation amount was \$55.075 million. Of that amount, \$26.075 million was for Free Mail and Overseas Voting, which was received on January 23, 2016. In addition, the FY 2016 installment of \$29.0 million per the Revenue Forgone Reform Act, 1993, was received on the same date.

The following Program and Financing Statement and Statement of Revenue and Expense reflect actual financial results for Fiscal Year 2015 and the Postal Service and Office of Management and Budget (OMB) forecasts for Fiscal Years 2016 and 2017.

**U.S. POSTAL SERVICE
PROGRAM AND FINANCING**
(in millions of dollars)

ITEM	ACTUAL FY 2015	P.L. 114-113 FY 2016	ESTIMATE FY 2017
Obligations by Program Activity:			
Postal Field Operations	47,457	47,320	47,261
Transportation	6,579	7,005	7,279
Building Occupancy	1,958	2,155	2,202
Supplies and Services	2,573	2,882	2,868
Research and Development	28	27	28
Administration and Area Operations	12,556	12,818	10,913
Interest	185	200	207
Servicewide Expenses	122	153	164
Subtotal Reimbursable Program Activities:	71,458	72,560	70,922
Capital Investments	1,688	1,790	1,900
Changes in Resources on Order and Inventory	248	0	0
Subtotal Reimbursable Program Activities:	1,936	1,790	1,900
Total New Obligations	73,394 a/	74,350 a/	72,822 a/
Budgetary Resources Available for Obligation:			
Unobligated balance carried forward, start of year	704	1,483	1,429
Unobligated balance applied to repay debt			
Unexpired, unobligated balance carried forward, end of year	1,483	1,429	2,964
New Budget Authority (gross):			
Authority to Borrow (total mandatory)	-	-	-
Spending Authority from Offsetting Collections	74,173	74,296	74,357
Total New Budget Authority (gross)	74,173	74,296	74,357

a/ Total collections are reduced by amounts transferred to fund the operations of the Office of the Inspector General and the Postal Regulatory Commission (see next page II-15). The rest is available to fund Postal Service obligations as shown above.

**U.S. POSTAL SERVICE
PROGRAM AND FINANCING**
(in millions of dollars)

In compliance with P.L. 109-435, Section 603 [c](1), the following amounts (included in the totals previously shown on Page II-14 and funded from postal receipts) are reported:

	ACTUAL FY 2015	P.L. 114-113 FY 2016	ESTIMATE FY 2017
Office of Inspector General	<u>-244</u>	<u>-249</u>	<u>-259</u>
Postal Regulatory Commission	<u>-15</u>	<u>-15</u>	<u>-18</u>
	-259	-264	-277

For additional details, refer to the annual budget submissions of these two individual organizations.

**U.S. POSTAL SERVICE
PROGRAM AND FINANCING**
(in millions of dollars)

ITEM	ACTUAL FY 2015	ESTIMATE FY 2016	ESTIMATE FY 2017
Change in Obligated Balances:			
Obligated Balance, Start of Year	5,450	6,381	4,782
Total new Obligations	73,394	74,350	72,822
Total outlays (gross)	<u>-72,463</u>	<u>-75,949</u>	<u>-77,590</u>
Obligated Balance, End of Year	6,381	4,782	14
Outlays (gross) Detail:			
Outlays from New Mandatory Authority	72,463	73,260	72,190
Offsets Against Gross Budget Authority and Outlays:			
Offsetting Collections from:			
Federal Sources	-946	-875	-884
Interest on U.S. Securities	-1	0	0
Non-Federal sources	<u>-73,485</u>	<u>-73,828</u>	<u>-73,473</u>
Total, Offsetting Collections	-74,432	-74,703	-74,357
Net Budget Authority and Outlays:			
Budget Authority	-259	-407	0
Outlays	-1,969	1,246	3,233

U.S. POSTAL SERVICE

STATEMENT OF REVENUE AND EXPENSE

(in millions of dollars)

	<u>ACTUAL</u> <u>FY 2015</u>		<u>ESTIMATE</u> <u>FY 2016</u>		<u>ESTIMATE</u> <u>FY 2017</u>	
TOTAL REVENUE	68,951		69,345		68,474	
TOTAL EXPENSES	<u>74,011</u>	a/	<u>75,240</u>	b/	<u>72,671</u>	c/
NET INCOME, LOSS (-)	<u><u>-5,060</u></u>		<u><u>-5,895</u></u>		<u><u>-4,197</u></u>	

a/ Includes PSRHBFB payment of \$5.7 Billion due in FY 2015. USPS did not make any payments in FY 2015.

b/ Includes PSRHBFB payment of \$5.8 Billion due in FY 2016. USPS does not expect to have the funds to make this payment in FY 2016.

c/ There is no prepayment for the PSRHBFB due in FY 2017.